Interim Report 2018

nichetech

NICHE-TECH GROUP LIMITED

駿碼科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8490)

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This report, for which the board (the "**Board**") of the directors (the "**Directors**") of Niche-Tech Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company and its subsidiaries (together, the "**Group**"). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.


nichetech
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TWO-PART SILICONE
NET: 500G
LOT: 16006120901
(DOM):2012. 08. 27
EXP. DATE: 2013. 02. 27
nichetech
AR302 (B)
NET: 500G
LOT: 16006120901
(DOM):2012. 08. 27

CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS

Unless otherwise defined, capitalised terms used in this report shall have the same meanings as those defined in the Company's prospectus dated 17 May 2018 (the "**Prospectus**").

BUSINESS REVIEW

The Group is an established semiconductor packaging materials manufacturer specialising in the development, manufacture and sales of bonding wire and encapsulant with headquarters in Hong Kong and production facilities in Shantou, the PRC.

The Group sells products directly to more than 300 customers, including renowned manufacturers of LEDs, camera modules and ICs primarily in the PRC, and its products have has been approved by most major customers including local subcontractors of renowned manufacturers.

The shares of the Company were successfully listed on GEM of the Stock Exchange on 30 May 2018. The net proceeds (the "**Net Proceeds**") from the Share Offer of approximately HK$83.5 million, after deducting commission and expenses borne by the Company in connection with the Share Offer of approximately HK$29.9 million. The Net Proceeds will be utilised in accordance with the proposed implementation plans as disclosed under the section headed "STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS" in the Prospectus.

During the six months ended 30 June 2018 (the "**Period**"), in line with the constant growth of semiconductor product industry, the demand for semiconductor packaging materials has witnessed a steady growth and the price of bonding wire and encapsulant mostly maintained at a stabilised level. The Group recorded a revenue of approximately HK$83.6 million for the Period, as compared to approximately HK$84.1 million, in the corresponding period last year, and recorded a slight growth of gross profit to approximately HK$17.2 million for the Period from approximately HK$16.5 million for the corresponding period of 2017.

However, as foreshadowed in the Prospectus, the profitability of the Group was adversely affected by the non-recurring expenses incurred for the Listing; the administrative expenses mainly as a result of the increase of total staff cost and operating lease expense due to relocation of our headquarters; and the recognition of net foreign exchange loss as a result of depreciation of the RMB against HK$ for the Period. The loss attributable to owners of the Company for the Period amounted to approximately HK$7.7 million, whereas there was a profit attributable to owners of the Company of approximately HK$0.4 million recorded for the corresponding period of 2017. Excluding the Listing expenses of approximately HK$10.4 million incurred and charged to profit and loss for the Period, the profit attributable to owners of the Company for the Period was approximately HK$2.7 million (30 June 2017: approximately HK$4.7 million (net of Listing expense)), representing a decrease of approximately 42.6% as compared with the corresponding period of 2017.

FINANCIAL OVERVIEW

Revenue

The Group's revenue principally represents income derived from its main products, namely bonding wire and encapsulant. During the Period, the Group recorded a revenue of approximately HK$83.6 million, which was slightly higher than that of approximately HK$84.1 million recorded in the corresponding period of last year. The revenue of encapsulant products recorded an increase of 132.6% to approximately HK$10.7 million during the Period from approximately HK$4.6 million during the corresponding period of last year, mostly due to an increase in sales of LED epoxy. The revenue of bonding wire products recorded a decrease of 8.0% to approximately HK$67.7 million during the Period from approximately HK$73.6 million during the corresponding period of last year, mostly due to the decrease of sales in high gold composition bonding wire products.

Cost of sales and gross profit

The Group's cost of sales mainly comprised direct material costs, direct labour costs and manufacturing overhead. During the Period, the Group recorded cost of sales of approximately HK$66.4 million (30 June 2017: approximately HK$67.6 million), representing a decrease of approximately 1.8% as compared to the recorded figure during the corresponding period of 2017.

The gross profit of the Group grew from approximately HK$16.5 million for the six months ended 30 June 2017 to approximately HK$17.2 million for the Period, representing an increase of approximately 4.2%. Gross profit margin increased to approximately 20.6% for the Period from approximately 19.6% for the corresponding period of 2017.

Other income, gains and losses

Other income, gains and losses of approximately HK$0.2 million (30 June 2017: approximately HK$4.8 million) were recorded during the Period, representing a decrease of approximately 95.8% as compared to that for the corresponding period in last year.

During the Period, the Group recognised a net foreign exchange loss of approximately HK$0.5 million as a result of depreciation of RMB against HK$ for the Period as compared to the net foreign exchange gain of approximately HK$1.6 million recorded in the corresponding period of 2017.

Expenses

Selling and distribution expenses amounted to approximately HK$5.7 million during the Period as compared to the selling and distribution expenses of approximately HK$5.3 million recognised in the corresponding period of 2017.

Administrative expenses for the Period increased by approximately HK$1.0 million to approximately HK$8.1 million from approximately HK$7.1 million for the corresponding period of 2017, mainly as a result of the increase in total staff cost by approximately HK$0.4 million due to additional headcounts and operating lease expenses by approximately HK$0.5 million due to relocation of our headquarters and principal place of business in Hong Kong.

The Group recognised non-recurring listing expenses of approximately HK$10.4 million for the Period whilst there was approximately HK$0.8 million and HK$10.7 million of non-recurring Listing expenses recognised for the year ended 31 December 2016 and 31 December 2017.

(Loss) profit and other comprehensive (expense) income for the period

Summing up the combined effects of the foregoing, loss attributable to owners of the Company for the Period was approximately HK$7.7 million, whereas there was a profit attributable to owners of the Company of approximately HK$0.4 million recorded for the corresponding period of 2017. The decrease in the profitability was principally attributable to the expenses incurred for the Listing.

Excluding the Listing expenses of approximately HK$10.4 million incurred and charged to profit and loss for the Period, the profit attributable to owners of the Company for the corresponding period of 2017 was approximately HK$2.7 million, representing a decrease of approximately HK$2.0 million from approximately HK$4.7 million (net of Listing expense) or 42.6% as compared with that for the corresponding period of 2017.

FUTURE STRATEGIES AND PROSPECTS

As a reputable technology-focused manufacturer specialised in upstream highly advanced electronic packaging materials with high entry barrier and sophisticated precision and applicability, the Group's products have been approved by most major customers including local subcontractors of renowned manufacturers. The qualifying process requires at least six months to a year. Therefore, the Directors believe that the Group's growth in the initial stage will progress at a steady pace.

Besides, with the Listing on GEM of the Stock Exchange, the Group's profile has been be enhanced further and the financial position will be strengthened as well, which will enable the Group to implement its business plans and achieve its business objectives set forth in the Prospectus.

Considering the recognition from Chinese government and international authorities, together with enhanced corporate profile after the Listing, the Directors believe customers are more willing to purchase more from the Group. To meet the rising demand, the Group is expanding its production capacity as fast as possible, which is estimated to take one year to scale up production and reflect on turnover.

Furthermore, the Group has acquired most of the basic machinery and equipment for expansion according to its strategic business plans.

Besides, with over twelve years of application knowhow and field engineering, the Group always strives to remain flexible and sensitive to the changing needs of the customers and to develop the best products for them. The Group's seasoned management and R&D and production teams, which grow with the company along the years, are also exerting their efforts continuously to achieve company's goal.

Regarding the recent tariffs proposed by the United States government against Chinese industrial and other products, the Chinese government has shown stronger support on local manufacturers, which is believed to encourage customers to buy from reputable local suppliers, such as the Group.

Having considered the stable market environment and continuous growth on the demand from different end-markets, the Group's competitive strengths and its strategic business plans, the Directors believe that the Group is at the optimum time of growth. In view of the Group's relatively small market share at the moment as compared with the major international manufacturers, the Directors are confident that there would be great market potential for the Group. Therefore, the Group will continue to carry out the implementation plans set forth in the Prospectus and assess new business opportunities prudently, so as to create maximum return to the Shareholders and to facilitate the long-term growth of the business of the Group.

HUMAN RESOURCES MANAGEMENT

As at 30 June 2018, the Group employed 265 full-time employees. The remuneration of employees is presented as disclosed on Note 8 to the condensed consolidated financial information. The Group's remuneration package is determined with reference to the experience and qualifications of the individual's performance. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

The Group finances its operations primarily through cash generated from operating activities and interest-bearing bank borrowing. The Group recorded net current assets of approximately HK$149.8 million as at 30 June 2018 (31 December 2017: approximately HK$59.0 million).

As at 30 June 2018, the Group's current ratio was approximately 4.9 (31 December 2017: approximately 2.5) and the Group's gearing ratio calculated based on the total borrowings at the end of the Period divided by total equity at the end of the Period was approximately 8.5% (31 December 2017: approximately 15.9%). The decrease of the Group's gearing ratio as at 30 June 2018 was mainly due to the net proceeds received from the Listing of approximately HK$83.5 million.

The Group's variable-rate bank borrowings carried interests at 2.8% over Hong Kong Interbank Offered Rate ("**HIBOR**") per annum. The effective interest rates were carried at 4.82% per annum and at 3.77% per annum as at 30 June 2018 and 31 December 2017, respectively.

The Group's fixed-rate borrowings carried interests at effective rates (which were also the contracted rates) at 6.50% per annum as at 31 December 2017.

As at 30 June 2018, the Group's bank borrowings amounted to approximately HK$20.1 million, were secured by corporate guarantee by the Company. As at 31 December 2017, the Group's bank borrowings amounted to approximately HK$19.8 million, were secured by (i) corporate guarantee by the Company and entities controlled by Professor Chow ; (ii) personal guaranties provided by Professor Chow and Mr. Chow and/or (iii) Mr. Ma and Mr. Ma Kiu Sang, the son of Mr. Ma and (iv) by properties held by Professor Chow and spouse of Professor Chow and entities controlled by Professor Chow.

As at the 30 June 2018 and 31 December 2017, the Group has total bank facilities of approximately HK$70 million respectively.

As at 30 June 2018, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK$237.7 million, comprised issued share capital and reserves.

The Shares were listed on the GEM of the Stock Exchange on 30 May 2018. There has been no change in the capital structure of the Group since then.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions and disposals of subsidiaries and associated companies for the Period.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group's income, cost of sales, administrative expenses, investment and borrowings are mainly denominated in United State Dollar, HK$ and RMB. Fluctuations of the exchange rates of RMB could affect the operating costs of the Group. Currencies other than RMB were relatively stable during the Period. The Group currently does not have a foreign currency hedging policy. However, management will continue to monitor foreign exchange exposure and will take prudent measure to minimise the currency translation risk. The Group will consider hedging significant foreign currencies should the need arise.

CHARGE ON ASSETS

As of 30 June 2018, there was no significant pledge on our Group's assets (31 December 2017: Nil).

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the Period (30 June 2017: Nil).

CONTINGENT LIABILITIES

As at 30 June 2018, our Group did not have any material contingent liabilities or guarantees.

SEGMENT INFORMATION

Segment information for the Group is presented as disclosed on note 4 to the condensed consolidated financial information.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSAL

During the Period, the Group has not made any significant investments or material acquisitions and disposal of subsidiaries.

EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period for the Group to the date of this report.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following table is a comparison between the Group's business objectives as set out in the Prospectus and the Group's actual business progress during the reporting period.

Business objectives	Actual business progress
Expand production capacity and upgrade manufacturing facilities	
– Acquire machineries and equipment and upgrading manufacturing facilities for new production lines	The Group had installed the second additional encapsulant production line by the end of the Period, which was planned to commence trial run in the six months ended 31 December 2018.
– Acquire machineries and equipment for quality control	The Group had introduced parts of equipment to enhance the quality control over the production process of bonding wire by the end of the Period.
Devote R&D resources	
– Acquire machineries and equipment for R&D enhancement	The Group had purchased parts of machineries and equipment for the improvement of existing R&D facilities by the end of the Period.
– Engage external consultants for R&D projects	The Group had engaged an assistant professor from Anhui University of Technology as our R&D consultant to assist in our R&D activities for the new encapsulant R&D project.
Increase sales and marketing activities	The Group attended Guangzhou International Lighting Exhibition organised by the China Semiconductor Industry Association in June.

USE OF PROCEEDS FROM THE LISTING

The Shares of the Company were successfully listed on GEM of the Stock Exchange on 30 May 2018. The net proceeds from the Share Offer received by the Company were approximately HK$83.5 million (after deduction of listing expenses). The net proceeds are intended to be used in accordance with the proposed implementation plans as disclosed under the section headed "STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS" in the Prospectus. During period from listing date to 30 June 2018, the net proceeds had been utilised as follows:

	Actual net proceeds from the Listing *HK$ million*	Amount utilised up to 30 June 2018 *HK$ million*	Balance as at 30 June 2018 *HK$ million*
Expand production capacity and upgrade manufacturing facilities			
– Acquire machineries and equipment and upgrading manufacturing facilities for new production lines	**41.9**	**3.1**	**38.8**
– Acquire machineries and equipment for quality control	**3.4**	**0.4**	**3.0**
Devote R&D resources			
– Acquire machineries and equipment for R&D enhancement	**19.5**	**1.6**	**17.9**
– Engage external consultants for R&D projects	**5.9**	**–**	**5.9**
Increase sales and marketing activities	**5.9**	**0.3**	**5.6**
General working capital	**6.9**	**–**	**6.9**
Total	**83.5**	**5.4**	**78.1**

As at 30 June 2018, approximately HK$5.4 million out of the Net Proceeds from the Listing had been used. The unused Net Proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong and Macau.

DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at 30 June 2018, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

(i) Long positions in the Shares of the Company

Name of Directors	Nature of interest/ holding capacity	Number of ordinary Shares held	Percentage of issued share capital of the Company *(Note 1)*
Mr. Chow Bok Hin Felix ("**Mr. Chow**") *(Note 2)*	Interest in a controlled corporation	357,000,000	50.60%
Professor Chow Chun Kay Stephen ("**Professor Chow**") *(Note 2)*	Interest in a controlled corporation	357,000,000	50.60%
	Beneficial owner	510,000	0.07%

Notes:

(1) As at 30 June 2018, the Company's issued share capital was HK$7,055,000 divided into 705,500,000 Shares of HK$0.01 each.

(2) Niche-Tech Investment Holdings Limited is beneficially owned as to 40% by Mr. Chow and 60% by Professor Chow. By virtue of SFO, Mr. Chow and Professor Chow are deemed to be interested in the Shares held by Niche-Tech Investment Holdings Limited.

(ii) Interests in shares of the associated corporations of the Company

Name	Name of associated corporation	Nature of interest/ holding capacity	Number of shares held/interested in the associated corporations	Percentage of shareholding *(%)*
Professor Chow	Chows Investment Group Limited *(Notes 1 and 2)*	Beneficial interest	6	60.00%
Mr. Chow	Chows Investment Group Limited *(Notes 1 and 2)*	Beneficial interest	4	40.00%
Professor Chow *(Note 2)*	Niche-Tech Investment Holdings Limited *(Note 1)*	Interest in a controlled corporation	10,000,000	100.00%
Mr. Chow *(Note 2)*	Niche-Tech Investment Holdings Limited *(Note 1)*	Interest in a controlled corporation	10,000,000	100.00%

Notes:

1. Chows Investment Group Limited holds 100% interest in Niche-Tech Investment Holdings Limited. Niche-Tech Investment Holdings Limited in turn holds 50.60% interest in the Company. Therefore, Chows Investment Group Limited and Niche-Tech Investment Holdings Limited are the associated corporations of the Company for the purpose of the SFO.

2. Mr. Chow and Professor Chow are interested in as to 40% and 60% of the issued share capital of Chows Investment Group Limited. Chows Investment Group Limited holds 100% interest in Niche-Tech Investment Holdings Limited. Mr. Chow and Professor Chow are therefore deemed to be interested in 100% of Niche-Tech Investment Holdings Limited for the purpose of the SFO.

Save as disclosed above, as at 30 June 2018, none of the Directors nor chief executives of the Company had or was deemed to have any other interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

(b) Substantial Shareholders and other persons' interests and short positions in the Shares or underlying Shares of the Company

So far as is known to the Directors, as at 30 June 2018, the following entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying Shares of the Company that would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares of the Company

Name of Shareholder	Nature of interest/ holding capacity	Number of Shares	Percentage of issued share capital of the Company *(Note 1)*
Niche-Tech Investment Holdings Limited	Beneficial owner	357,000,000	50.60%
Chows Investment Group Limited	Interest of controlled corporation *(Note 2)*	357,000,000	50.60%
Mrs. Chow Fung Wai Lan Rita ("**Mrs. Chow**")	Interest of spouse *(Note 3)*	357,510,000	50.67%
Mrs. Chow Kuo Li Jen	Interest of spouse *(Note 4)*	357,000,000	50.60%
Mr. Ma Ah Muk	Beneficial owner	152,490,000	21.61%
Ms. Cheng Pak Ching	Interest of spouse *(Note 5)*	152,490,000	21.61%

Notes:

(1) As at 30 June 2018, the Company's issued ordinary share capital was HK$7,055,000 divided into 705,500,000 Shares of HK$0.01 each.

(2) Chows Investment Group Limited holds 100% interest in Niche-Tech Investment Holdings Limited and is therefore deemed to be interested in the 357,000,000 Shares held by Niche-Tech Investment Holdings Limited for the purpose of the SFO.

(3) Mrs. Chow is the spouse of Professor Chow. Mrs. Chow is deemed to be interested in all the Shares in which Professor Chow is interested in for the propose of the SFO.

(4) Mrs. Chow Kuo Li Jen is the spouse of Mr. Chow. Mrs. Chow Kuo Li Jen is deemed to be interested in all the Shares in which Mr. Chow is interested in for the propose of the SFO.

(5) Ms. Cheng Pak Ching is the spouse of Mr. Ma. Ms. Cheng Pak Ching is deemed to be interested in all the Shares in which Mr. Ma is interested in for the purpose of the SFO.

Save as disclosed above, as at 30 June 2018, the Directors were not aware of any other persons (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying Shares of the Company would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") on 8 May 2018. For the principal terms of the Share Option Scheme, please refer to "D. SHARE OPTION SCHEME" in Appendix IV to the Prospectus.

Up to the date of this report, no share option had been granted by the Company under the Share Option Scheme.

COMPETING INTERESTS

None of the Directors or the controlling shareholder of the Company or any of their respective close associates (as defined in the GEM Listing Rules) had any business or interest in a business that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Period.

INTEREST OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Titan Financial Services Limited ("**Titan**") as the compliance adviser. Titan has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. None of the compliance adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company or in the share capital of any member of the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at the date of this report.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company complied with Code of Corporate Governance Practices (the "**Code**") as set out in Appendix 15 of the GEM Listing Rules for the Period.

The Company has not appointed any chief executive officer. Day-to-day management of the business of the Group are carried out by the senior management and monitored by the executive Directors, while prior approvals by all executive Directors are required for all strategic decisions which are also considered and confirmed in formal board meeting. The Group believes that the existing management structure and decision making procedures are adequate for the Group to cope with the ever-changing economic environment.

The Company regularly reviews its corporate governance practices to ensure that the Company continues to meet the requirements of the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "**Code of Conduct**") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard Dealings**"). The Company had also made specific enquiry of all the Directors and each of them was in compliance with the Code of Conduct and Required Standard Dealings during the Period. Further, the Company was not aware of any non-compliance with the Required Standard Dealings regarding securities transactions by the Directors for the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

AUDIT COMMITTEE

The Company has established an audit committee of the Board with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The members of the audit committee include three independent non-executive Directors, namely Dr. Cheng Faat Ting Gary, Professor Ng Wang Wai Charles and Mr. Tai Chun Kit. Dr. Cheng Faat Ting Gary is the chairman of the audit committee.

The audit committee has reviewed the unaudited condensed consolidated results of the Company for the Period and is of the opinion that such results complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

INDEPENDENT REVIEW

The interim results for the Period are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, Certified Public Accountants, whose Report on Review of Interim Financial Information is included in this Interim Report.

By Order of the Board
Niche-Tech Group Limited
Chow Bok Hin Felix
Executive Chairman and
Executive Director

Hong Kong, 10 August 2018

As at the date of this report, the executive Directors are Mr. Chow Bok Hin Felix, Professor Chow Chun Kay Stephen and Mr. Shi Yiwu, non-executive Director is Mr. Ma Yung King Leo, and the independent non-executive Directors are Professor Ng Wang Wai Charles, Dr. Cheng Faat Ting Gary and Mr. Tai Chun Kit.

This report will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcement" page for a minimum period of seven days from the date of its publication. This report will also be published on the Company's website at http://www.nichetechcorp.com.

Deloitte. 德勤

To the Board of Directors of
Niche-Tech Group Limited

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Niche-Tech Group Limited (the 'Company') and its subsidiaries (collectively referred to as the 'Group') set out on pages 21 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of profit or loss and other comprehensive income for each of the three months ended 30 June 2018 and 2017 and the six months ended 30 June 2017, condensed consolidated statement of changes in equity and statement of cash flows for the six months ended 30 June 2017 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
10 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended 30.6.2018 HK$'000 (unaudited)	Three months ended 30.6.2017 HK$'000 (unaudited)	Six months ended 30.6.2018 HK$'000 (unaudited)	Six months ended 30.6.2017 HK$'000 (unaudited)
Revenue	4	**48,682**	46,279	**83,593**	84,084
Cost of sales		**(38,142)**	(37,407)	**(66,407)**	(67,580)
Gross profit		**10,540**	8,872	**17,186**	16,504
Other income, other gains and losses	5	**(1,222)**	2,968	**242**	4,774
Impairment losses reversed (recognised), net		**252**	(184)	**252**	(184)
Selling and distribution expenses		**(2,993)**	(2,862)	**(5,677)**	(5,334)
Administrative expenses		**(4,584)**	(3,440)	**(8,107)**	(7,094)
Listing expenses		**(9,693)**	(3,903)	**(10,401)**	(4,243)
Finance costs	6	**(177)**	(1,781)	**(416)**	(3,026)
(Loss) profit before taxation		**(7,877)**	(330)	**(6,921)**	1,397
Income tax expense	7	**(519)**	(661)	**(750)**	(951)
(Loss) profit for the period	8	**(8,396)**	(991)	**(7,671)**	446

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Three months ended 30.6.2018 HK$'000 (unaudited)	Three months ended 30.6.2017 HK$'000 (unaudited)	Six months ended 30.6.2018 HK$'000 (unaudited)	Six months ended 30.6.2017 HK$'000 (unaudited)
Other comprehensive (expense) income					
Item that will not be reclassified to profit or loss:					
Exchange differences arising on translation to presentation currency		**(970)**	1,477	**(1,942)**	2,954
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		**93**	(196)	**187**	(393)
Other comprehensive (expense) income for the period		**(877)**	1,281	**(1,755)**	2,561
Total comprehensive (expense) income for the period		**(9,273)**	290	**(9,426)**	3,007
(Loss) earnings per share – basic (HK cents)	*10*	**(1.54)**	(0.24)	**(1.41)**	0.11

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
NON-CURRENT ASSETS			
Plant and equipment	*11*	**43,984**	40,090
Intangible assets	*11*	**45,963**	42,237
Deposits paid for acquisition of plant and equipment and intangible assets		**4,123**	8,685
Rental deposits		**239**	252
Deferred tax assets		**3,479**	3,513
		97,788	94,777
CURRENT ASSETS			
Inventories		**20,230**	18,964
Trade receivables	*12(a)*	**46,928**	51,023
Trade receivables backed by bills	*12(b)*	**9,750**	8,612
Other receivables, prepayments and deposits	*12(c)*	**7,762**	7,951
Bank balances and cash		**103,930**	10,758
		188,600	97,308

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30.6.2018** **HK$'000** **(unaudited)**	31.12.2017 HK$'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	*13*	**16,846**	12,832
Tax payable		**414**	1,454
Bank borrowings	*14*	**20,111**	22,693
Deferred income		**1,400**	1,320
		38,771	38,299
NET CURRENT ASSETS		**149,829**	59,009
TOTAL ASSETS LESS CURRENT LIABILITIES		**247,617**	153,786
NON-CURRENT LIABILITY			
Deferred income		**9,878**	10,702
NET ASSETS		**237,739**	143,084
CAPITAL AND RESERVES			
Share capital	*15*	**7,055**	–*
Reserves		**230,684**	143,084
TOTAL EQUITY		**237,739**	**143,084**

* *Less than HK$1,000*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (note i)	Capital reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000 (note ii)	Retained profits HK$'000	Total equity HK$'000
At 1 January 2017 (audited)	–	–	100,000	1	(10,542)	2,863	12,837	105,159
Profit for the period	–	–	–	–	–	–	446	446
Exchange differences arising on translation to presentation currency	–	–	–	–	2,954	–	–	2,954
Exchange differences arising on translation of foreign operations	–	–	–	–	(393)	–	–	(393)
Total comprehensive income for the period	–	–	–	–	2,561	–	446	3,007
Deemed distributions to Chows Electronics Limited ("**Chows Electronics**") *(note iii)*	–	–	–	–	–	–	(955)	(955)
At 30 June 2017 (unaudited)	–	–	100,000	1	(7,981)	2,863	12,328	107,211
At 1 January 2018 (audited)	**–***	**30,000**	**100,000**	**1**	**(3,654)**	**4,193**	**12,544**	**143,084**
Adjustment *(note 3.2.2)*	**–**	**–**	**–**	**–**	**–**	**–**	**(1,089)**	**(1,089)**
At 1 January 2018 (restated)	**–***	**30,000**	**100,000**	**1**	**(3,654)**	**4,193**	**11,455**	**141,995**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(7,671)**	**(7,671)**
Exchange differences arising on translation to presentation currency	**–**	**–**	**–**	**–**	**(1,942)**	**–**	**–**	**(1,942)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**187**	**–**	**–**	**187**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**(1,755)**	**–**	**(7,671)**	**(9,426)**
Issue of new shares *(note 15)*	**1,955**	**111,435**	**–**	**–**	**–**	**–**	**–**	**113,390**
Transaction costs attributable to issue of new shares	**–**	**(8,220)**	**–**	**–**	**–**	**–**	**–**	**(8,220)**
Issue of shares by capitalisation of share premium account	**5,100**	**(5,100)**	**–**	**–**	**–**	**–**	**–**	**–**
At 30 June 2018 (unaudited)	**7,055**	**128,115**	**100,000**	**1**	**(5,409)**	**4,193**	**3,784**	**237,739**

* *Less than HK$1,000*

Notes:

(i) On 1 April 2016, Niche-Tech BVI Limited ("**Niche-Tech BVI**"), which was then wholly and directly owned by Chows Electronics, which have been, in turn, owned as to 55% by Professor Chow Chun Kay, Stephen ("**Professor Chow**") and 45% by Mr. Chow Bok Hin, Felix ("**Mr. Chow**"), acquired Niche-Tech Holdings Limited ("**Niche-Tech Holdings**"), which has been the holding company of 汕頭市駿碼凱撒有限公司, or Niche-Tech Kaiser (Shantou) Limited* ("**Niche-Tech Shantou**") and Niche-Tech (Hong Kong) Limited ("**Niche-Tech (HK)**"), from Chows Electronics for a consideration of HK$100,000,000, which was equivalent to the then issued share capital of Niche-Tech Holdings. Accordingly, the share capital of Niche-Tech Holdings had been eliminated as one of the subsidiaries of Niche-Tech BVI and transferred to other reserve.

Pursuant to a resolution passed by the board of directors of Chows Electronics, Chows Electronics determined to waive the consideration payable by Niche-Tech BVI for the acquisition of Niche-Tech Holdings.

(ii) Amount represents statutory reserve of the Group's subsidiary in the People's Republic of China (the "**PRC**"). According to the relevant laws in the PRC, the Group's subsidiary in the PRC is required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

(iii) During the six months ended 30 June 2017, the Group had an amount due from Chows Electronics that was unsecured, interest-bearing at 3.49% per annum, and repayable on demand and such amount due from Chows Electronics was fully settled by Chows Electronics during the period. The amount was measured at fair value at initial recognition using a market interest rate and based on the management's estimate of the timing of recovery. The differences between the respective fair values at initial recognition and the amount advanced to Chows Electronics were recognised in equity as deemed distributions, and the amount due from Chows Electronics was carried at amortised cost using the effective interest method. During the six months ended 30 June 2017, the Group adjusted the carrying amount to reflect the change in estimation of the timing of recovery and the carrying amount was adjusted to reflect the change of estimations. The adjustments were also recognised in equity as deemed distributions to Chows Electronics.

* *English name for identification purpose only.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30.6.2018 HK$'000 (unaudited)	Six months ended 30.6.2017 HK$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(4,817)**	(17,376)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		
Development costs paid	**(5,245)**	(3,526)
Deposits paid for acquisition of plant and equipment and intangible assets	**(4,611)**	(4,392)
Acquisition of intangible assets	**(391)**	–
Acquisition of plant and equipment	**(351)**	(291)
Advances to a related party	**–**	(15,964)
Repayments from a related party	**–**	151,182
Interest received	**48**	9
Proceeds on disposal of plant and equipment	**72**	1
	(10,478)	127,019
NET CASH FROM (USED IN) FINANCING ACTIVITIES		
Issue of shares	**113,390**	–
Bank borrowings raised	**28,262**	119,316
Repayment of bank borrowings	**(27,960)**	(191,371)
Listing costs paid	**(4,728)**	(1,479)
Interests paid	**(347)**	(2,896)
	108,617	(76,430)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**93,322**	33,213
Effect of impairment loss	**(48)**	–
Effect of foreign exchange rate changes	**(102)**	70
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**10,758**	7,681
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by Bank balances and cash	**103,930**	40,964

1. GENERAL AND GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the GEM of the Stock Exchange of Hong Kong (the "**Stock Exchange**") on 30 May 2018.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred as the "**Group**") are principally engaged in the development, manufacture and sales of semiconductor packaging materials.

To rationalise the corporate structure in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the entities now comprising the Group underwent a group reorganisation (the "**Reorganisation**").

Prior to the Reorganisation, Niche-Tech BVI, which was the then holding company of the Group's operating subsidiaries, namely Niche-Tech Holdings, Niche-Tech Kaiser International Inc. ("**Niche-Tech International**"), Niche-Tech Shantou and Niche-Tech (HK), was wholly and directly owned by Chows Electronics. Chows Electronics, in turn, is owned as to 55% by Professor Chow and 45% by Mr. Chow, both of whom have agreed to act in concert. Chows Electronics does not form part of the Group.

The Reorganisation mainly involves (i) incorporating the Company as an exempted company with limited liability in the Cayman Islands; (ii) acquiring Niche-Tech BVI by the Company from Chows Electronics; and (iii) transferring the Company's shares to Professor Chow and Mr. Ma Ah Muk ("**Mr. Ma**"), an independent third party, pursuant to an exchangeable deed.

Major steps of the Reorganisation are as follows:

(i) On 21 February 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares of par value of HK$0.01 each. On the date of incorporation, 1 fully-paid share, representing the entire issued share capital of the Company, was allotted and issued to the initial subscriber, and was subsequently transferred to Niche-Tech Investment Holdings Limited ("**BVI Holdings**"). BVI Holdings is a company incorporated in the British Virgin Islands ("**BVI**") and is wholly-owned by Chows Investment Group Limited ("**BVI Chows**"). BVI Chows, in turn, is a company incorporated in BVI and is owned as to 60% by Professor Chow and 40% by Mr. Chow, both of whom have agreed to act in concert. Neither BVI Holdings nor BVI Chows form part of the Group to be listed.

(ii) On 1 March 2017, Chows Electronics (as vendor), which is directly controlled by Professor Chow and Mr. Chow acting in concert, and the Company (as purchaser), which is indirectly controlled by Professor Chow and Mr. Chow acting in concert through BVI Holdings and BVI Chows, entered into a share swap agreement whereby the Company agreed to purchase, and Chows Electronics agreed to sell, the entire issued share capital of Niche-Tech BVI. As settlement of the consideration, the Company allotted and issued 999 new shares, credited as fully paid, to Chows Electronics, who nominated BVI Holdings to receive such shares. After completion of this acquisition, BVI Holdings holds 1,000 shares, representing the entire issued share capital, in the Company. The Company then became the holding company of the Group.

(iii) On 1 March 2017, pursuant to an exchangeable deed, BVI Holdings transferred 299 shares, representing 29.9% equity interest, and 1 share, representing 0.1% equity interest, in the Company to Mr. Ma and Professor Chow respectively. Following the completion of the transfer, the Company is directly owned as to 70% by BVI Holdings, 29.9% by Mr. Ma and 0.1% by Professor Chow.

BVI Holdings is considered to be the immediate holding company of the Company, and BVI Chows is considered to be the ultimate holding company of the Company.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the entities now comprising the Group by acquiring Niche-Tech BVI and its subsidiaries from Chows Electronics. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, and accordingly, the interim financial report has been prepared as if the Company had always been the holding company of the Group.

The condensed consolidated financial statements relating to the condensed consolidated statement of profit or loss and other comprehensive income for the three months ended 30 June 2017 and the six months ended 30 June 2017, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2017 includes the results of operation, change in equity and cash flows of the entities now comprising the Group as if the current group structure had been in existence throughout the relevant periods ended 30 June 2017, or since their respective dates of incorporation, where applicable.

The functional currency of the Company is Renminbi ("**RMB**"). The condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**") as the Group's management believes HK$ is the appropriate presentation currency for the users of the condensed consolidated financial statements.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards ("**HKAS**") 34 "**Interim Financial Reporting**" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Rules**").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Except as described below, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from sales of semiconductor packaging materials.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from sales of semiconductor packaging materials is recognised at a point in time when the customer has received the goods.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3.1.2 Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 in the current interim period had no effect on the amounts reported in these condensed consolidated financial statements.

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Group's financial assets are subsequently measured at amortised cost.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, trade receivables backed by bills, other receivables, deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and trade receivables backed by bills. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with internal credit ratings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3.2.2 *Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement (including impairment) of trade receivables and trade receivables backed by bills at the date of initial application, 1 January 2018.

	Note	Trade receivables	Trade receivables backed by bills	Deferred tax assets	Retained profits
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Closing balance at 31 December 2017 – HKAS 39		51,023	8,612	3,513	12,544
Effect arising from initial application of HKFRS 9:					
Remeasurement					
Impairment under ECL model	*(a)*	(1,248)	(25)	184	(1,089)
Opening balance at 1 January 2018		49,775	8,587	3,697	11,455

Note:

(a) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and trade receivables backed by bills.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, deposits and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of HK$1,273,000 and related deferred tax credit of HK$184,000 has been recognised against retained profits. The additional loss allowance are charged against the respective assets.

All loss allowances for trade receivables and trade receivables backed by bills as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade receivables *HK$'000*	**Trade receivables backed by bills** *HK$'000*
At 31 December 2017 – HKAS 39	1,458	–
Amounts remeasured adjusted to opening retained profits	1,248	25
At 1 January 2018	2,706	25

4. REVENUE AND SEGMENT INFORMATION

An analysis of revenue by major products is as follows:

	Three months ended		**Six months ended**	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Bonding Wire	**37,618**	39,680	**67,704**	73,587
Encapsulant	**7,672**	2,699	**10,707**	4,552
Others	**3,392**	3,900	**5,182**	5,945
	48,682	46,279	**83,593**	84,084

The Group's operating segment is determined based on information reported to the chief operating decision maker (the "**CODM**"), being the executive directors of the Company, for the purpose of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based on its products and its sole operating segment is the development, manufacture and sales of semiconductor packaging materials. The CODM monitors the revenue, results (excluding listing expenses), assets and liabilities of its business unit as a whole and regularly reviews financial information prepared in accordance with the accounting policies that are in accordance with HKFRSs, and without further discrete information. Accordingly, no analysis of segment information other than entity-wide information is presented.

Geographical information

The Group's revenue is mainly derived from customers located in the PRC and Hong Kong. Information about the Group's revenue by the geographical location in which the customers operate is detailed below:

	Three months ended		**Six months ended**	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
PRC excluding Hong Kong	**47,790**	45,010	**81,434**	81,446
Hong Kong	**892**	1,269	**2,159**	2,638
	48,682	46,279	**83,593**	84,084

5. OTHER INCOME, OTHER GAINS AND LOSSES

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Bank interest income	**41**	8	**48**	9
Interest income on amount due from a related party	**–**	1,554	**–**	3,199
Government subsidy income *(note)*	**377**	–	**728**	–
Net gain (loss) on disposal of plant and equipment	**9**	(9)	**9**	(10)
Net foreign exchange (losses) gains	**(1,649)**	1,405	**(543)**	1,563
Others	**–**	10	**–**	13
	(1,222)	2,968	**242**	4,774

Note: Amount mainly represents subsidy income received from certain government authorities in the PRC as support funds for expenses incurred for the operations of Niche-Tech Shantou as a High and New Technology Enterprise ("**HNTE**") in the PRC and for its application of patents in the PRC. Of the subsidies for the six months ended 30 June 2018, RMB23,000 (unaudited) (equivalent to HK$28,000 (unaudited)) has no specific conditions attached to the incentives and was credited to profit and loss upon receipt, and the remaining was transferred from deferred income as the conditions attached to the incentives has been satisfied.

6. FINANCE COSTS

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interests on bank borrowings	**176**	1,176	**347**	2,406
Finance charge for early repayment of bank borrowings	**–**	490	**–**	490
Interests on discounted bills with recourse	**1**	115	**69**	130
	177	1,781	**416**	3,026

7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
The income tax expense comprises:				
PRC Enterprise Income Tax ("EIT")				
– Current tax	**549**	730	**780**	1,020
– Overprovision in prior year	**(204)**	–	**(204)**	–
	345	730	**576**	1,020
Deferred tax	**174**	(69)	**174**	(69)
	519	661	**750**	951

Under the EIT Law and Implementation Regulation of the EIT Law, PRC EIT is calculated at 25% of the assessable profits for Niche-Tech Shantou. Pursuant to the relevant laws and regulations in the PRC, Niche-Tech Shantou is granted tax incentives as a HNTE and is entitled to a concessionary tax rate of 15% for 3 years from 2015 to 2017. The HNTE status of Niche-Tech Shantou will be expired on 9 October 2018, and Niche-Tech Shantou has applied for renewal of concessionary tax rate of 15% in the current interim period.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax is made since the relevant group entities had no assessable profits for both periods.

8. (LOSS) PROFIT FOR THE PERIOD

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss) profit for the period has been arrived at after charging:				
Directors' remuneration				
Fees	**–**	–	**–**	–
Other emoluments, salaries and other benefits	**482**	201	**683**	393
Retirement benefit scheme contributions	**12**	5	**27**	14
	494	206	**710**	407
Other staff costs:				
Staff salaries and allowances	**5,431**	4,531	**10,586**	8,895
Retirement benefit scheme contributions	**883**	894	**1,789**	1,417
	6,314	5,425	**12,375**	10,312
Total staff costs	**6,808**	5,631	**13,085**	10,719
Capitalised in intangible assets	**(907)**	(1,107)	**(1,927)**	(1,764)
Capitalised in inventories	**(2,186)**	(1,371)	**(4,013)**	(2,455)
	3,715	3,153	**7,145**	6,500

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Depreciation of plant and equipment	**1,821**	1,602	**3,649**	3,142
Capitalised in intangible assets	**(458)**	(582)	**(915)**	(911)
Capitalised in inventories	**(741)**	(757)	**(1,544)**	(1,471)
	622	263	**1,190**	760
Amortisation of intangible assets	**1,050**	729	**2,107**	1,552
Capitalised in inventories	**(988)**	(694)	**(1,984)**	(1,469)
	62	35	**123**	83
Auditors' remuneration	**150**	350	**300**	500
Cost of inventories recognised as cost of sales	**38,142**	37,407	**66,407**	67,580
Research and development costs (excluding depreciation of plant and equipment) recognised as expenses (included in administrative expenses)	**156**	–	**156**	29
Minimum operating lease rentals in respect of rented premises	**989**	558	**1,611**	1,086

9. DIVIDENDS

No dividends were paid, declared or proposed during the current and prior interim periods. The directors of the Company do not recommend payment of interim dividend for the current interim period.

10. (LOSS) EARNINGS PER SHARE

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss) earnings:				
(Loss) earnings for the purpose of basic (loss) earnings per share:				
(Loss) profit for the period attributable to owners of the Company	**(8,396)**	(991)	**(7,671)**	446

	2018	2017	**2018**	2017
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**544,563,536**	412,857,143	**544,563,536**	412,857,143

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the periods ended 30 June 2018 has been adjusted retrospectively for the effect of the capitalisation issue, as set out in note 15 as if the capitalisation issue had been effective on 1 January 2018.

The weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share for the period ended 30 June 2017 has been adjusted retrospectively for the effect of bonus element of additional shares issued on 25 July 2017 and the capitalisation issue, as set out in note 15 as if the bonus issue and the capitalisation issue had been effective on 1 January 2017.

No diluted (loss) earnings per share is presented for periods ended 30 June 2018 and 2017 as there is no potential ordinary shares in issue during both periods.

11. MOVEMENTS IN PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current interim period, the Group acquired plant and equipment and intangible assets of HK$8,299,000 (unaudited) and HK$6,551,000 (unaudited), respectively (six months ended 30 June 2017: HK$2,110,000 (unaudited) and HK$4,437,000 (unaudited), respectively).

During the current interim period, the Group disposed of certain plant and equipment with an aggregate carrying amount of HK$63,000 (unaudited) (six months ended 30 June 2017: HK$11,000 (unaudited)).

12. TRADE RECEIVABLES/TRADE RECEIVABLES BACKED BY BILLS/ OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

(a) Trade receivables

The Group either requires cash on delivery from, or allows credit period ranging from 30 days to 120 days to its trade customers.

The following is an analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period, which approximated the revenue recognition date:

	30.6.2018 ***HK$'000*** **(unaudited)**	31.12.2017 *HK$'000* (audited)
1 – 30 days	**31,351**	16,958
31 – 60 days	**7,554**	10,135
61 – 90 days	**2,891**	12,524
Over 90 days	**5,132**	11,406
	46,928	51,023

The movement in the allowance for impairment in respect of trade receivables during the current interim period was as follows:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Balance at beginning of the period/year*	**1,458**	–
Remeasurement of loss allowance adjusted to opening retained earnings	**1,248**	–
Provision of impairment losses	**562**	1,405
Reversal of impairment losses	**(859)**	–
Amounts written off as uncollectible	**–**	(3)
Exchange realignment	**(26)**	56
Balance at end of the period/year	**2,383**	1,458

* The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

(b) Trade receivables backed by bills

The Group also accepts bills issued by banks from its trade customers with a satisfactory and trustworthy credit history as settlement of trade debts.

The following is an aged analysis of trade receivables backed by bills based on the invoice date of bills at the end of the reporting period, which approximated the revenue recognition date:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
61 – 90 days	**692**	443
Over 90 days	**9,058**	8,169
	9,750	8,612

In addition, following is an aged analysis of trade receivables backed by bills based on the issue date of bills at the end of the reporting period:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
1 – 30 days	**3,060**	2,018
31 – 60 days	**600**	210
61 – 90 days	**2,920**	2,973
Over 90 days	**3,170**	3,411
	9,750	8,612

The maturity period of all trade receivables backed by bills as at 30 June 2018 and 31 December 2017 was within 180 days.

The Group had no outstanding discounted bills as at 30 June 2018. At as 31 December 2017, the Group had discounted bills received from trade customers on a full recourse basis to banks for short-term financing prior to the maturity of the bills. As the Group has not transferred the significant risks and rewards of ownership relating to these bills, it continues to recognise the full carrying amount of the trade receivables backed by bills and has recognised the cash received on the transfer as secured bank borrowings. As at 31 December 2017, the carrying amount of bills discounted to the bank which have been pledged as security for the bank borrowings was HK$2,884,000 (audited); and the carrying amount of the associated liabilities was HK$2,884,000 (audited).

The movement in the allowance for impairment in respect of trade receivables backed by bills during the current interim period was as follows:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Balance at beginning of the period/year*	**–**	–
Remeasurement of loss allowance adjusted to opening retained earnings	**25**	–
Reversal of impairment losses	**(3)**	–
Exchange realignment	**–#**	–
Balance at end of the period/year	**22**	–

* The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

\# Less than HK$1,000

(c) Other receivables, prepayments and deposits

	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
Value-added tax recoverable	**2,302**	2,045
Prepayments to suppliers	**4,469**	1,360
Deposits	**713**	54
Other receivables	**278**	199
Prepaid listing expenses	**–**	1,523
Deferred listing expenses	**–**	2,770
	7,762	7,951

13. TRADE AND OTHER PAYABLES

	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
Trade payables	**8,795**	6,926
Other payables	**334**	424
Accrued expenses	**7,506**	5,252
Receipt in advance	**128**	144
Other PRC tax payables	**83**	86
	16,846	12,832

The trade suppliers either require cash on delivery from the Group or allow credit period ranging from 7 days to 90 days to the Group. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
1 – 30 days	**7,488**	5,288
31 – 60 days	**451**	1,037
61 – 90 days	**544**	464
Over 90 days	**312**	137
	8,795	6,926

14. BANK BORROWINGS

The exposure of the Group's bank borrowings are as follows:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Fixed-rate bank borrowings	**–**	2,884
Variable-rate bank borrowings	**20,111**	19,809
	20,111	22,693

During the current interim period, the Group raised new bank borrowings amounting to HK$28,262,000 (unaudited) (six months ended 30 June 2017: HK$119,316,000 (unaudited)) and settled bank borrowings amounting to HK$27,960,000 (unaudited) (six months ended 30 June 2017: HK$191,371,000 (unaudited)).

The Group's variable-rate bank borrowings carried interests at 2.8% (unaudited) over Hong Kong Interbank Offered Rate ("**HIBOR**") per annum (31 December 2017: 2.8% (audited) over HIBOR per annum) quoted by certain banks in Hong Kong and were repayable on demand. The effective interest rates were carried at 4.82% (unaudited) per annum as at 30 June 2018 (as at 31 December 2017: at 3.77% (audited) per annum).

The Group's fixed-rate borrowings as at 31 December 2017 were carried at effective interests rates (which were also the contracted rates) at 6.5% (audited) per annum.

15. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 21 February 2017 (date of incorporation) and 31 December 2017	38,000,000	380
Increase in authorised share capital on 30 May 2018 *(Note iii)*	1,962,000,000	19,620
At 30 June 2018	2,000,000,000	20,000
Issued and fully paid:		
At 21 February 2017 (date of incorporation)	1	–*
Allotment of shares on 1 March 2017 *(note i)*	999	–*
Allotment of shares on 25 July 2017 *(note ii)*	1,000	–*
At 31 December 2017	2,000	–*
Issue of shares by capitalisation of share premium account *(note iv)*	509,998,000	5,100
Issue of new shares *(note v)*	195,500,000	1,955
At 30 June 2018 (unaudited)	705,500,000	7,055

* Less than HK$1,000

Notes:

(i) On 1 March 2017, Chows Electronics (as vendor) and the Company (as purchaser) entered into a sale and share swap agreement whereby the Company agreed to purchase, and Chows Electronics agreed to sell, the entire issued share capital of Niche-Tech BVI. As settlement of the consideration, the Company allotted and issued 999 new shares, credited as fully paid, to Chows Electronics, who nominated BVI Holdings to receive such shares.

(ii) On 25 July 2017, in consideration of HK$21,000,000, HK$30,000 and HK$8,970,000 being payable to the Company by BVI Holdings, Professor Chow and Mr. Ma respectively, an additional of 1,000 shares were allotted and issued by the Company at premium as to 700 shares to BVI Holdings, 1 share to Professor Chow and 299 shares to Mr. Ma respectively. The total subscription monies of HK$30,000,000 were settled in cash on 27 July 2017. The proceeds of HK$10 representing the par value of the shares of the Company, were credited to the Company's share capital and the remaining proceeds of HK$29,999,990 were credited to share premium account of the Company.

(iii) On 8 May 2018, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares by the creation of an additional 1,962,000,000 shares of HK$0.01 each.

(iv) Pursuant to a written resolution passed by the shareholders of the Company on 8 May 2018, the directors of the Company were authorised to, among other things, capitalise the amount of approximately HK$5,100,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par a total of 509,998,000 shares for allotment and issue to the then shareholders of the Company as at 8 May 2018 in proportion to their shareholdings in the Company.

(v) On 30 May 2018, 195,500,000 ordinary shares with a par value of HK$0.01 each of the Company were issued at a price of HK$0.58 per share.

16. CAPITAL COMMITMENTS

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of:		
– intangible assets	**376**	511
– plant and equipment	**2,000**	4,512
	2,376	5,023

17. RELATED PARTY DISCLOSURES

(a) Related party transactions

Apart from details disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with related party during the periods:

Name of related party	**Nature of transaction**	**Three months ended**		**Six months ended**	
		30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Chows Electronics *(note)*	Interest income	**-**	1,554	**-**	3,199

Note: Professor Chow is the director and also the controlling shareholder of the company.

During the six months ended 30 June 2017, the Group utilised a land and building in Hong Kong beneficially owned by S.C. Chow & Associates Limited, a company in which Professor Chow has controlling interest, as its central administrative office free of charge. The Group also utilised a technical knowhow beneficially owned by Chows Electronics for production free of charge.

The arrangement was ceased in May 2017.

(b) Security and guarantees provided by related parties

As at 31 December 2017, the Group's bank borrowings amounting to HK$19,809,000 (audited) were secured by properties held by Professor Chow and spouse of Professor Chow and entities controlled by Professor Chow. They were also guaranteed by corporate guarantees provided by entities controlled by Professor Chow and personal guarantees provided by (i) Professor Chow and Mr. Chow and/or (ii) Mr. Ma and Mr. Ma Kiu Sang, the son of Mr. Ma.

The arrangement was ceased in May 2018 upon listing of the Company.

(c) Share of banking facilities with a related party

During the six months ended 30 June 2017, the Group shared certain banking facilities with limit up to an aggregate amount of HK$76,000,000 (unaudited) granted by a bank with Chows International Investment Limited, a company in which Professor Chow has controlling interest.

The arrangement was ceased in July 2017 upon repayment of such bank borrowings.